



**NEWCASTLE  
UNDER LYME**  
**BOROUGH COUNCIL**

# **CAPITAL STRATEGY 2012 to 2015**

**Submitted to Cabinet 18 January 2012**

**CONTENTS**

1. INTRODUCTION
2. KEY OBJECTIVES AND PRIORITIES
3. LINKS WITH OTHER STRATEGIES, POLICIES AND PLANS
4. EXTERNAL INFLUENCES, PARTNERS AND CONSULTATION WITH STAKEHOLDERS
5. RESOURCES AVAILABLE TO FINANCE CAPITAL INVESTMENT
6. REVENUE IMPLICATIONS
7. APPRAISAL OF INVESTMENT PROPOSALS
8. MONITORING ARRANGEMENTS AND PROJECT MANAGEMENT
9. STATUTORY FRAMEWORK
10. PROCUREMENT
11. FUTURE CAPITAL PROGRAMME

### **1. INTRODUCTION**

- 1.1 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and stakeholders with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.
- 1.2 The Council's current detailed capital investment plan is contained in its Approved Capital Programme. A two year programme was approved by Full Council on 23 February 2011. This programme provides for £21,638,800 of investment over the two-year period in projects across all of the Council's priority areas, of which £10,374,500 was programmed to be spent in 2011/12. Since then, programmed expenditure for 2011/12 has been reviewed and, resulting in a revised 2011/12 outturn figure of £16,783,300 being agreed. This takes account of slippage coming forward from 2010/11 and the addition of the cost of acquiring a town centre development site at Ryecroft. Full Council will consider a capital programme to continue investment beyond 2011/12 on 15 February 2012.
- 1.3 The Strategy has been prepared against a background of unprecedented reductions in funding provided to local authorities by central government and its agencies, arising from the need to restrain public expenditure owing to the ongoing economic recession and to rebalance public finances. At the same time, the Council's own resources available to finance capital projects are diminishing and will need replenishing before any substantial further capital investments can be made. As a result the Council initiated a programme of asset disposals to address this situation. In the interim period, before asset sales can provide these additional resources, the Capital Programme was restricted to cover a two year period, 2010/11 to 2011/12.

### **2. KEY OBJECTIVES AND PRIORITIES**

- 2.1 The Council's Priority Areas contained in its current (2011/12 to 2013/14) Corporate Plan are:

- Promoting a Cleaner, Safer and Sustainable Borough
- Promoting a Borough of Opportunity
- Promoting a Healthy and Active Community
- Transforming our Council to Achieve Excellence

Annex A shows the indicative areas of projects and activities which are set out in the Plan which may require capital investment by the Council or its partners in order to contribute to the delivery of these priorities.

- 2.2 These priorities are compatible with those contained in the Local Area Agreement for Staffordshire to which the Council is a party, that is:

- A vibrant, prosperous and sustainable economy
- Strong, Safe and Cohesive communities
- Improved health and sense of well being
- A protected, enhanced and respected environment

- 2.3 Capital investment projects will be included in the Council's Capital Programme on the basis that they address issues arising from one or more of the Priority Areas

## APPENDIX

contained in the Corporate Plan. An indication is shown against each project in the Programme of the area or areas whose issues it addresses.

- 2.4 New proposals for capital investment will be assessed against the corporate priority areas to ensure that they will contribute towards achieving the aims expressed. This assessment will be carried out as part of the appraisal process for new projects.
- 2.5 The Council will also endeavour, through its programme of capital investment, to maintain its assets to a standard such that they remain fit for purpose, enabling continuity of service delivery. In particular, it will carry out regular surveys of its stock of buildings and structures to ascertain their state of repair and any remedial works which may be necessary. Repair or improvement works arising from such surveys will be carried out subject to the availability of resources and consideration of the role the building plays in service delivery and the need to continue the relevant service in order to contribute to meeting corporate priorities. If a building is no longer required for service delivery, it will either be considered for alternative use by the Council or its partners or disposed of and the proceeds made available for future capital investment in priority areas. All property assets are held to either (i) provide Council services, (ii) provide an investment return or (iii) to further regeneration projects.
- 2.6 Regular reviews of the property portfolio will be carried out by the Assets Review Group, chaired by the Executive Director (Regeneration and Development). A complete review of the whole portfolio was undertaken in 2010/11 to identify properties or land which could potentially be disposed of and a capital receipt obtained from the sale. Because of the currently poor market conditions arising from the economic recession, however, it is unlikely that significant sales will take place in the short term, both because of lack of demand and the need to obtain the best sale price.
- 2.7 Where suitable "Invest to Save" projects can be identified the Council will actively pursue such projects as it recognises the benefits, in the form of reduced costs falling on the General Fund Revenue Account, that can result from such investment.
- 2.8 The Council will seek, where practicable and economically justifiable, to develop its investment projects having regard to principles of sustainability, for example in relation to materials used and environmentally friendly modes of operation once in use, following construction or purchase.

### **3. LINKS WITH OTHER STRATEGIES, POLICIES AND PLANS**

- 3.1 As well as the Corporate Plan and the Capital Programme the Capital Strategy has clear links to many of its other strategies, policies and plans, the most significant of which are:
  - Asset Management Strategy
  - Medium Term Financial Strategy
  - Service and Financial Plans
  - Value For Money Strategy
  - Procurement Strategy
  - Economic Development Strategy
  - North Staffs Green Spaces Strategy
  - Leisure Strategy
  - Private Sector Housing Renewal Strategy
  - Housing Strategy
  - Cultural Strategy
  - Customer Access Strategy

## APPENDIX

- Energy Efficiency and Climate Change Strategy and Carbon Reduction Plan
- Treasury Management Strategy
- Performance Plan

- 3.2 An important link is to the Asset Management Strategy (AMS) in that many capital investment projects are related to the Council's fixed assets, such as its stock of buildings. Needs and priorities identified in the AMS will require consideration for inclusion in the Council's Capital Programme and have wider financial consequences.
- 3.3 The Medium Term Financial Strategy will take account of the revenue effect of capital investment.
- 3.4 Capital investment proposals are contained in the Service and Financial Plans produced as part of the annual budget cycle. Some of these proposals may be included in the Capital Programme.
- 3.5 Appraisal, procurement and management of capital projects needs to be carried out with regard to the objectives and methodologies contained in the Value for Money Strategy and the principles and practices set out in the Procurement Strategy.
- 3.6 The various service based strategies will inform the Council's capital investment process through their identification of areas for action and of priorities within individual service areas.
- 3.7 The Treasury Management Strategy needs to reflect planned capital spend, particularly with regard to setting limits for tying up money over the longer term.
- 3.8 The Performance Plan contains the same data regarding Priority Areas as the Corporate Plan together with similar actions proposed to achieve the aims expressed in relation to the Priority Areas so by linking to the Corporate Plan the same link is made to the Performance Plan.
- 3.9 In addition the Capital Strategy will be influenced by the results of any Service Reviews which have been carried out by the Council, either as part of the budget preparation process or as one-off exercises. Where these reviews identify areas of service which are to be discontinued, this may give rise to surplus assets which will be available for disposal and possibly generate a capital receipt which will be available for funding further capital investment. Alternatively reviews may identify areas for investment, some of which may be capital investment.

#### **4. EXTERNAL INFLUENCES, PARTNERS AND CONSULTATION WITH STAKEHOLDERS**

- 4.1 The Council's capital investment plans are influenced by a number of external parties and factors: central government and its agencies, legislation requiring capital works, partner organisations, businesses, developers and by its stakeholders' needs and views, particularly those of Borough residents.
- 4.2 Government sponsored initiatives and programmes will influence the projects which the Council will include in its capital investment plans. In particular, its Housing Investment Programme in which the Council participates with regard to Renewal and Disabled Facilities Grants is a major area of investment where funding is provided by Government to meet a proportion of the costs of some of these activities. This funding largely consists of grant payments to partially meet the cost of disabled facilities grants payable to eligible applicants. The current Capital Programme 2010/11 to 2011/12 provides for £3.9m to be spent in this area over the two year period, of which £1.0m is in 2011/12.

## APPENDIX

- 4.3 Where it may be required by legislation to carry out works of a capital nature, such as to comply with the Disablement Disability Act or Health and Safety requirements, or anti-pollution regulations, the Council will consider the most effective way to discharge its obligations and appropriate provision will be made in its Capital Programme once it has determined that it shall carry out the necessary work and that this should be capitalised.
- 4.4 The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities. Relationships with partners, including those concerning capital matters, will be governed by the Council's Partnerships Code of Practice. Wherever possible the Council will seek to work in partnership with others to deliver its capital investment programme in order to provide facilities which meet its own and partners needs. When working with the private sector, the objective will be to maximise the benefits to the Council and the community from any projects, both in terms of outputs and in relation to obtaining funding for the project.
- 4.5 The Council is a participant in the Local Strategic Partnership (LSP) and will have regard to the content of its Sustainable Community Strategy together with any other elements of the partnership which relate to capital investment and may be able to use the capital programme as a means of fulfilling some of its obligations to the LSP.
- 4.6 Projects for consideration for inclusion in the Capital Programme may arise from the Council's participation in the new Staffordshire and Stoke on Trent Local Enterprise Partnership (LEP)
- 4.7 The overall level and direction of the Council's capital investment proposals embodied in its capital programme and the individual schemes included in it will be informed by consultation carried out with stakeholders. This may be by means of the "Peoples' Panel", Simalto or similar consultation exercises or any other means which the Council feel are appropriate.
- 4.8 The availability of external funding will also influence the projects which the Council will include in its capital investment plans. This is referred to in the following section of the Strategy.
- 4.9 Regard will be had to the Council's obligations under Disabled Access requirements in putting forward proposals for capital investment and in the design of any facilities which are proposed.
- 4.10 Wherever possible the principles of sustainability will be incorporated into any capital projects.

## **5. RESOURCES AVAILABLE TO FINANCE CAPITAL INVESTMENT**

- 5.1 Capital investment may be financed by any one or a combination of the following:
- Use of Capital Receipts
  - Use of Reserves
  - Government Grants
  - Contributions from External Parties
  - Directly from the General Fund Revenue Account
  - Private Finance Initiative (PFI) or similar schemes
  - Borrowing

## APPENDIX

- 5.2 The Council is presently debt free, having no long term loans outstanding. Its current policy, expressed in its Treasury Management Strategy for 2011/12, approved by Council on 23 February 2011, is that it is not intended to utilise borrowing to fund the capital programme in view of the Council currently possessing sufficient reserves and useable capital receipts to finance capital expenditure from those sources. It is stated that borrowing may become an option in future years only if these resources become sufficiently depleted, that they are insufficient to finance proposed capital expenditure and, if the costs of borrowing compare favourably with those of alternatives such as using unapplied capital receipts. It is possible that for a period of time during the span of the Capital Strategy capital resources will be depleted to the extent that they are insufficient to finance further significant capital investment. However, there are no such projects yet identified.
- 5.3 Capital Receipts have been the major source of funding for the Capital Programme in recent years. The amount of useable capital receipts in hand at 1 April 2011 was £6.0m. The majority of capital receipts are committed to finance the currently approved Capital Programme. Additional capital projects may be financed from capital receipts obtained by asset sales or other new capital streams.
- 5.4 In the normal run of events, new sources of capital receipts are somewhat limited. At present the major significant (but much reduced from earlier levels) source is the Council's continuing right to a share of receipts arising from tenants of Aspire Housing under the Right to Buy legislation, which amounted to some £0.3m in 2010/11. Right to Buy sales have diminished both because of the present depressed property market and there being fewer potential purchasers as time goes by. These receipts are fully committed to finance the cost of the Renewal and Disabled Facilities Grants not met from Government Grant. Recent government announcements, however, could increase activity and lead to a small revival in these receipts. In addition there are usually some small receipts from the sale of minor pieces of land or property but these would be unlikely to be significant in amount over the two year period.
- 5.5 The Council has established a number of reserves which are available to finance capital investment. These are as follows:
- Special Projects Fund
  - ICT Development Fund
  - New Initiatives Fund
  - LSVT Capital Fund

The Special Projects Fund balance at 1 April 2011 was £0.9m and is fully committed to funding the current approved Capital Programme and will be exhausted during the period spanned by the Programme.

The ICT Development Fund is specifically earmarked for meeting the costs of ICT development, both capital and revenue. The balance on the Fund at 1 April 2011 was £0.8m.

The New Initiatives Fund's purpose is to finance new initiatives, both capital and revenue, not currently provided for in the Council's budgets. The balance on the Fund at 1 April 2011 was £0.2m, all of which will be required to meet the cost of ongoing revenue account initiatives or earmarked for covering costs which may arise if the Council suffers the loss of its exempt VAT status for a period.

The LSVT Capital Fund was established to receive the principal element of leasing charges made to services under the internal leasing scheme, which has been used to charge financing costs to users of ICT and other equipment where the initial purchase

## APPENDIX

of that equipment was financed by using capital receipts arising from the disposal of the housing stock referred to above. This mechanism is intended to ensure that a sum equivalent to the capital receipt used is made available to finance future capital investment. The balance on this Fund at 1 April 2011 was £2.3m. Completion of the currently approved Capital Programme will exhaust the Fund by 31 March 2012, although further contributions from revenue in respect of internal leasing repayments will flow into it from 2011/12 (around £0.15m each year until all leases have expired).

- 5.6 The use of capital receipts and reserves to finance new capital projects has an effect upon investment income receipts and hence the General Fund Revenue Account. At current investment interest rates of around 1.0% (rates available in the market currently pay a premium of up to an additional 0.5% above the base rate of 0.5%), every £100,000 of such capital receipts or reserve balances used will cost £1,000 to the revenue account on an ongoing basis. The use of capital receipts and reserves to finance the Capital Programme 2010/11 to 2011/12 was taken account of in the Medium Term Financial Strategy and in the 2011/12 Revenue Budget. Any receipts generated from the assets disposal programme will be invested until they are required to finance capital expenditure.
- 5.7 Wherever Government grants are available to meet all or part of the cost of capital projects the Council will ensure that these are applied for and used to maximise the amount of investment which can be made and the benefit which will result from that investment. The Council will consider the proportion of the New Homes Bonus grant that will be made available to finance housing capital projects when compiling the housing investment element of the capital programme.
- 5.8 Wherever possible and appropriate, funding will be sought towards the cost of capital projects from external parties. These will include property developers, government agencies, funding from the European Union (normally channelled via a UK Government Department), funding bodies such as the National Lottery or the Football Foundation, and partner organisations that may join with the Council to bring forward particular projects of mutual benefit. In the current climate, however, the Council may find such sources of funding to be limited compared with previous years.
- 5.9 A Community Infrastructure Levy will be introduced in respect of new developments from 2013/14 onwards. This will provide funding for capital investment required as a result of a development taking place, for example new roads or footpaths. It will partially replace "Section 106" contributions payable by developers as a condition of being granted planning permission.
- 5.10 There is no intention to charge any capital investment directly to the General Fund Revenue Account.
- 5.11 The Council does not presently intend to consider the use of Private Finance Initiative type arrangements to meet the cost of capital investment.
- 5.12 The Executive Director (Resources and Support Services) will prepare estimates of the resources which are presently in hand plus those likely to be available in future to finance capital investment. He will keep these estimates up to date and periodically report upon them to Cabinet and Council, particularly when the Capital Programme is being considered. The Council will decide on the appropriate form of financing for projects included in the Capital Programme based on advice from the Executive Director as to availability and the consequences and costs of use of the various options.
- 5.13 The need to have available liquid funds to be used to pay for capital projects will be borne in mind when drawing up the Council's Treasury Management Strategy. An



## **APPENDIX**

appropriate limit will be placed on long term investments based on predictions of the capital spending profile over the period covered by the Strategy so that there are likely to be enough readily available easily cashable investments to meet requirements.

### **6. REVENUE IMPLICATIONS**

- 6.1 The impact, if any, upon the General Fund Revenue Account, which will arise from capital investment proposals will be calculated and considered at the time projects are placed before Cabinet or Full Council for inclusion in the Approved Capital Programme or for specific approval. Such impact may be in the form of reduced interest receipts, where projects are to be financed from capital receipts or reserves, borrowing costs, if loan finance is to be employed, or additional running costs arising from the provision of a new or altered facility. Offset against these costs will be any savings which might accrue, for example from “invest to save” projects.
- 6.2 In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital, which the Council has adopted, the incremental impact of the Capital Programme will be calculated and considered when that programme is placed before Full Council for approval, in February each year.
- 6.3 The Council will always have regard to the affordability of its proposed capital investments, in terms of the revenue implications arising.
- 6.4 The revenue implications of the capital programme will be taken account of in the Council’s Medium Term Financial Strategy.

### **7. APPRAISAL OF INVESTMENT PROPOSALS**

- 7.1 In accordance with the Council’s Financial Regulations proposals for new capital investment estimated to cost more than £20,000 will be subject to the Benefits Management Model process, whereby a business case will be made out for the proposal based on whole life costing, its fit with corporate priorities will be demonstrated, outputs detailed, and project milestones set out. The process will consider the availability of resources to fund the project and its effect, if any, upon the revenue budget in future years. All new capital investment proposals must be appraised by the Capital Programme Review Group prior to specific Cabinet approval being requested. Before any project may be commenced Specific Cabinet approval must be obtained and the project must be included in the Approved Capital Programme, after considering its priority relative to other proposed projects and the overall level of resources available to fund the Capital Programme as a whole.
- 7.2 A Risk Assessment, in the approved corporate format, will be completed for all capital projects subject to the Benefits Management Model process.

### **8. MONITORING ARRANGEMENTS AND PROJECT MANAGEMENT**

- 8.1 Progress in relation to individual projects will be monitored through the Council’s arrangements for the monitoring of capital projects, which entail quarterly monitoring reports to be received by the Cabinet. The Capital Programme Review Group will also review project progress and corrective action will be initiated where projects fall behind schedule, appear likely to overspend or otherwise give cause for concern. Individual Project Forms will be maintained in respect of each project by the Executive Director (Resources and Support Services) which will track the progress of projects and be available to officers and members with an interest in reviewing progress of those projects. Monitoring will also take place as part of the Benefits

## APPENDIX

Management Model process, whereby reports will be completed for any projects which deviate from planned progress.

- 8.2 All projects will be assigned to a named officer who will be responsible for overseeing the project, including project monitoring and control and implementing exception reports and, where appropriate, corrective action if the project deviates from its planned progress or cost.
- 8.3 Where complex major projects are to be carried out, consideration will be given to employing the Prince2 project management methodology.
- 8.4 All capital projects will be subject to Internal Audit review to ensure correct procedures have been followed and sums have been paid out in accordance with Financial Regulations and Standing Orders as they relate to contracts. Where projects have received funding from government or quasi-governmental sources, the expenditure will also be subject in many cases to external audit by auditors from the Audit Commission. European Union funded projects may also be subject to audit by auditors on behalf of that body. Where monitoring returns or claims for reimbursement of expenditure are required to be sent to funding bodies, these will be completed and forwarded promptly to the relevant body in compliance with any deadlines laid down by them.
- 8.5 All capital investment proposals and project progress and management are subject to the Council's scrutiny arrangements.

### **9. STATUTORY FRAMEWORK**

- 9.1 The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.
- 9.2 Capital expenditure is defined by the 2003 Act as that which falls to be capitalised in accordance with proper practices, which means in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), applicable to all local authorities. Annex B sets out a summarised version of the definition provided by the Code. In addition there are a number of other types of expenditure that have been defined by Regulations as being treatable as capital in nature. Generally these do not apply to this Council.
- 9.3 It should be noted that the Act and Regulations are framed in a permissive way, allowing local authorities to capitalise expenditure which fits the definition but not forcing them to capitalise such expenditure. The Council will decide, therefore, whether to include a project meeting the capital definition in its capital programme or to meet its cost from a revenue account.
- 9.4 The Council does not set a minimum amount for the capitalisation of expenditure (de minimis level). Accordingly, any expenditure complying with the above definition may be capitalised.
- 9.5 Capital Finance Regulations stipulate that amounts of less than £10,000 may not be treated as capital receipts. Accordingly, any such sums received, although otherwise capital in nature, will be credited to a revenue account.

### **10. PROCUREMENT**

- 10.1 Regard will be had to the contents of the Council's Procurement Strategy when considering the delivery of capital projects.
- 10.2 Where estimated project contract costs exceed the relevant European Union threshold, the appropriate EU tendering procedures will be followed.
- 10.3 Standing Orders relating to contracts will apply to all contracts proposed to be let in relation to capital projects, together with Financial Regulations and the provisions of the Council's scheme of Delegation.
- 10.4 The achievement of Value for Money will be a guiding principle in the procurement of capital works and services and in managing contracts. Accordingly, the objectives and methodologies contained in the Value for Money Strategy will be observed.

### **11. FUTURE CAPITAL PROGRAMME**

- 11.1 During the period covered by this Strategy, there will be a need for some items of capital investment to be made in order to ensure continued service delivery or to comply with statutory requirements or to ensure health and safety of staff and public. Examples of these include: operational building repairs and maintenance; replacement of vehicles, plant and equipment required to deliver services; disabled facilities grants.
- 11.2 Funding for additional projects not essential to operational continuity will depend on capital receipts from asset sales.
- 11.3 Work is ongoing to compile a basic programme containing those projects which it can be foreseen will be necessary to ensure service delivery or to comply with statutory requirements or ensure health and safety. The programme will also contain projects which are fully funded by external parties and which meet corporate priorities. The overall size of the programme will be determined by the resources estimated to be available to fund it.
- 11.4 It will be essential to apply a robust prioritisation process to determine which projects are included in the capital programme and are subsequently proceeded with. No projects should be considered in isolation. They must be required to be measured against all other competing projects to determine which should go forward. This process should also apply to any projects which are proposed subsequent to the approval of the programme, to ensure that only those projects with a high priority are proceeded with and funds are not diverted to projects of a lesser priority.
- 11.5 Funding for this basic programme is likely to be available to some extent from the following sources:
  - Further capital receipts from asset sales
  - Right to Buy capital receipts
  - Government grants
  - Other external contributions
  - Internal lease repayments

The present assumption is that there will be no borrowing.

All of the above funding sources are likely to be limited so the programme can only include affordable basic projects.

Annex A

**INDICATIVE AREAS OF PROJECTS AND ACTIVITIES WHICH ARE SET OUT IN THE CORPORATE PLAN WHICH MAY REQUIRE CAPITAL INVESTMENT BY THE COUNCIL AND ITS PARTNERS IN ORDER TO CONTRIBUTE TO THE DELIVERY OF THE CORPORATE PRIORITIES**

Promoting a Cleaner, Safer and Sustainable Borough

- Improve efficiency of recycling and waste
- Implementation of the climate change and carbon reduction Plans

Promoting a Borough of Opportunity

- Seeking funding for redevelopment through the Local Enterprise Partnership
- Implementing the refreshed Economic Development Strategy
- Implementing a Local Investment Strategy
- Implementing a Housing Strategy
- Making the town centre vibrant and attractive

Promoting a Healthy and Active Community

- Implementing the Health and Wellbeing Strategy to reduce health inequalities

Transforming Our Council to Achieve Excellence

- Continuing to improve customer service and relations
- Achieving savings through smarter working and improved use of technology

### Annex B

#### DEFINITION OF CAPITAL EXPENDITURE INCLUDED IN THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

All expenditure that can be directly attributed to the acquisition, creation or enhancement of items of property, plant and equipment or the acquisition of rights over certain longer-term intangible benefits is accounted for on an accruals basis and capitalised as a non-current asset. It must be probable that the future economic benefits or service potential associated with the item will flow to the Council - the Council does not have to own the item but it must be more than likely that it has gained the right to use the item in the provision of services or to generate cash from it. In addition it must be possible to measure the cost of the item reliably.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation or laying out of land
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels

In this context, the definition of enhancement contained in the previous Code of Practice (SORP) is still applicable and means the carrying out of works which are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purpose or in conjunction with the functions of the local authority concerned.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred. Expenditure on existing fixed assets should be capitalised in three circumstances:

- Enhancement - see above
- Where a component of the fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful life is replaced or restored
- Where the subsequent expenditure relates to a major inspection or overhaul of a fixed asset that restores the benefits of the asset that have been consumed by the authority and have already been reflected in depreciation

Assets acquired on terms meeting the definition of a finance lease should be capitalised and included together with a liability to pay future rentals.

Where an asset is acquired for other than cash consideration or where payment is deferred the asset should be recognised and included in the balance sheet at fair value.